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IN THE

Supreme Court of the United States

OCTOBER TERM—1957

No. 544

SEARS, ROEBUCK & COMPANY AND
ALLSTATE INSURANCE COMPANY,
Petitioners,

v.

ALL STATES LIFE INSURANCE COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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No.

SEARS, ROEBUCK & COMPANY and ALLSTATE INSURANCE COMPANY,

Petitioners,

v.

ALL STATES LIFE INSURANCE COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Petitioners pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fifth Circuit, entered in this case on June 10, 1957.

Citations to Opinion Below

The oral opinion of the District Court is unreported (except in the form of footnote 4 to the majority opinion of the Court of Appeals); it is printed in Appendix B hereto, *infra*, p. 3a. The opinion and dissenting opinion of the Court of Appeals, printed in Appendix B, hereto, *infra*, p. 5a, are reported in 246 F. 2d 161, 114 U.S.P.Q. 19.

Jurisdiction

The judgment of the Court of Appeals was entered on June 10, 1957 (p. 26a, *infra*). A timely petition for rehearing was denied on July 17, 1957. The jurisdiction of this Court is invoked under 28 U.S.C., Section 1254(1).

Questions Presented

1. In an action for trademark infringement and unfair competition tried without a jury, is the determination by the District Court of the ultimate issue of likelihood of confusion reviewable by the Court of Appeals only under the "clearly erroneous" rule?

2. In an action for infringement of a mark registered under the Lanham Act, must relief be denied unless the allegedly infringing mark is used on the same kind of goods or services as are specified in the registration?

Statutes Involved

The statutes involved (set forth in Appendix A, *infra*) are Sections 7(b) and 32(1) of the Lanham Act, 60 Stat. 427, 15 U.S.C. Sections 1057(b) and 1114(1); and Rule 52(a) of the Federal Rules of Civil Procedure, 28 U.S.C., following Section 2072.

Statement

Petitioner Sears, Roebuck & Company (hereinafter "Sears") is the well-known mail-order catalog and retail store concern with headquarters in Chicago and branches throughout the country. Sears has used the trademark "Allstate" continuously and extensively since 1926 in connection with tires, batteries and numerous other auto-

mobile accessories (R. 135, 140, 144-5); and is the owner of various U. S. Patent Office registrations of the trademark "Allstate" as applied to such articles (R. 351-2).

Petitioner Allstate Insurance Company, which was organized in 1931, is a wholly-owned subsidiary of Sears (R. 149, 231). It is the largest automobile insurance company in the world (R. 152). It is also engaged in casualty and other branches of the insurance business, including fire insurance which is written through its own subsidiary, Allstate Fire Insurance Company (R. 158). Since its organization, Allstate Insurance Company has used the name "Allstate" continuously and extensively in all of its activities (R. 231-5); and it has registered "Allstate" in the U. S. Patent Office on the Principal Register under the Lanham Act as a service mark for insurance underwriting (R. 14-20). "Allstate" insurance is sold directly to the public through Sears' mail-order catalogs and in Sears' retail stores (R. 152-3). The "Allstate" mark frequently is displayed superimposed on a map of the United States (R. 153-4, 159-60).

Allstate Insurance Company itself does not write life insurance (R. 156). Its parent Sears, however, was engaged indirectly in the life insurance business through another subsidiary from February, 1934 to June, 1938 (R. 83); and, by the time of the trial, plans were well advanced to organize an affiliate of Allstate Insurance Company to write life insurance (R. 156). The name contemplated for this new corporation was Allstate Life Insurance Company (R. 241).

All States Life Insurance Company, respondent herein, was organized under Texas law on July 1, 1955 (R. 373), although only two days earlier its charter had been disapproved on the ground that its name so resembled that

of "another insurance company" as to be likely to mislead the public (R. 116). Petitioners, through counsel, complained about the use of so nearly identical a name both to respondent, which ignored the protest (R. 274-5), and to the Texas Board of Insurance Commissioners, which ruled that it had no jurisdiction in the matter (R. 372-4). Respondent commenced offering its stock for sale to the public, using, among other things, a prospectus in which the name "All States" was displayed superimposed on a map of the United States (R. 58). This action was then commenced by petitioners against respondent in the United States District Court for the Northern District of Texas, seeking an injunction, damages and an accounting of profits for infringement of their registered marks and for unfair competition.

The jurisdiction of the District Court rested upon the express provisions of Section 39 of the Lanham Act, 15 U.S.C., Sec. 1121,* and the District Court had "pendent" jurisdiction of the related unfair competition claim under 28 U.S.C., Sec. 1338 (b). Diversity of citizenship was an available alternative basis for jurisdiction (Sears is a New York corporation, Allstate Insurance Company an Illinois corporation, and respondent a Texas corporation).

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* In view of the fact that Section 45 of the Lanham Act, 15 U.S.C., Sec. 1127, defines commerce as "all commerce which may lawfully be regulated by Congress," it has been held repeatedly that the Lanham Act is applicable to infringing conduct which affects interstate commerce. *Iowa Farmers' Union* v. *Farmers' Educational and Cooperative Union*, 114 U.S.P.Q. 382 (8th Cir. 1957); *Pure Foods, Inc.* v. *Minute Maid Corp.*, 214 F. 2d 792 (5th Cir. 1954); *Time, Inc.* v. *Life Television Corp.*, 123 F. Supp. 470 (D. Minn. 1954); *National Tuberculosis Ass'n* v. *Summit County Tuberculosis & Health Ass'n*, 122 F. Supp. 654 (N.D. Ohio 1954); *Mendes* v. *New England Duplicating Co.*, 94 F. Supp. 558 (D. Mass. 1950), *aff'd*, 190 F. 2d 415 (1st Cir. 1951); *Cole of California, Inc.* v. *Colette of California, Inc.*, 79 U.S.P.Q. 267 (D. Mass. 1948).

The case was tried before U. S. District Judge William H. Atwell without a jury. Petitioners established their widespread sales and advertising of goods and services under the "Allstate" mark, throughout the State of Texas as well as elsewhere, and the consequent renown of the mark and its association with petitioners in the public mind. Copious evidence of actual confusion between the All States and Allstate insurance companies was introduced. Judge Atwell upon the conclusion of the trial delivered a short oral opinion from the bench dismissing the complaint (R. 349-51). He made no separate findings and conclusions. The ground of the opinion was that the petitioners were not engaged in the life insurance business and thus that "there is no confusion nor reason for confusion between what the defendant is engaged in and what the plaintiffs are engaged in."

The Court of Appeals for the Fifth Circuit affirmed, with one judge dissenting. It treated the language of the District Judge quoted just above as a finding of fact that there was no likelihood of confusion between the different types of insurance involved; held that "in accord with one of the best established principles of appellate procedure, we may not reverse findings of fact by the trial court unless clearly erroneous"; and concluded that Judge Atwell's "finding" that "there was no infringement of appellant Allstate's service marks," was not clearly erroneous and therefore was binding upon it.

Reasons for Allowance of the Writ

A. The decision of the court below is in direct conflict with the decision of the Court of Appeals for the Third Circuit in *Sears, Roebuck and Co.* v. *Johnson*, 219 F. 2d 590 (3d Cir. 1955). This conflict extends to both of the questions presented for review herein. Therefore,

in the interest of clarity we shall first state the Third Circuit case and then discuss the conflict separately with relation to each of the two questions.

In *Sears, Roebuck* v. *Johnson*, petitioner Sears was plaintiff and the defendant was a partnership operating a driving school under the name of "All-State School of Driving." The District Court took note of the extensive use of "Allstate" in connection with the sale of automobile tires and other accessories by Sears, and in connection with the writing of insurance by Sears' wholly-owned subsidiary Allstate Insurance Company. Some evidence of actual confusion was introduced. The District Court held, however, that there was no competition between Sears and the defendant because the defendant did not sell any merchandise; and that there was no competition between Allstate Insurance Company and the defendant because the one did not conduct a driving school and the other sold no insurance. The District Court thereupon ruled that there was no likelihood of confusion and ordered judgment for the defendant. *Sears, Roebuck and Co.* v. *Johnson*, 121 F. Supp. 955 (E.D. Pa. 1954).

On appeal, the Third Circuit unanimously reversed. The Court of Appeals specifically rejected defendant's contention that it was bound by the "clearly erroneous" provision of Rule 52(a) in considering the District Court's finding on the issue of likelihood of confusion, since this was not one of the "basic facts" but rather an "inference" or "ultimate fact" to be derived from the "basic facts." 219 F. 2d at 591. The Third Circuit refused to attach controlling significance to the absence of competition between the parties and concluded, "We think that plaintiff has made out a very clear case of trade-name infringement." *Id.* at 593.

1. Likelihood of confusion is the fundamental issue in every trademark infringement case. The statute itself (Lanham Act, Sec. 32; 15 U.S.C., Sec. 1114) defines infringement in terms of the use of a "colorable imitation" of a registered mark where such use is "likely to cause confusion or mistake or to deceive purchasers"; and the term "colorable imitation" in turn is defined (Lanham Act, Sec. 45; 15 U.S.C., Sec. 1127) to include "any mark which so closely resembles a registered mark as to be likely to cause confusion or mistake or to deceive purchasers." This concept of infringement is declaratory of the common law and applies equally in unfair competition cases involving the use of marks or names, registered or unregistered.*

Whether it be denominated a "finding" or a "conclusion", it is thus apparent that the ruling of a court on the issue of likelihood of confusion actually constitutes a decision on the question of infringement.

The District Court in the instant case held there was no likelihood of confusion between "All States" for life insurance and "Allstate" for other kinds of insurance and for automobile accessories. As to this, the Fifth Circuit thought it "clear" that the record

> "would have been sufficient to authorize a finding by the trial court of the possibility and perhaps even of the likelihood of confusion." (Appendix B, *infra*, p. 19a)

However, it specifically ruled that the issue was one of fact, that the finding was not "clearly erroneous", and that it could not reverse the trial court's finding under

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* See, *e.g.*, *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U. S. 315, 325 (1938); *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403, 413 (1916); *Coca-Cola Co.* v. *Snow Crest Beverages, Inc.*, 162 F. 2d 280, 282-83 (1st Cir.), *cert. denied*, 332 U. S. 809 (1947).

the circumstances. In so holding, the Fifth Circuit adhered to its own prior rulings in trademark cases, where it has regularly refused to review findings on the ultimate issues unless "clearly erroneous". *Tampa Cigar Co.* v. *John Walker & Sons, Ltd.*, 222 F. 2d 460, 461 (5th Cir. 1955); *Chappell* v. *Goltsman*, 197 F. 2d 837, 839 (5th Cir. 1952).

The District Court in *Sears, Roebuck* v. *Johnson* similarly held there was no likelihood of confusion between "All-State" for a driving school and "Allstate" for automobile accessories and insurance. But the Court of Appeals for the Third Circuit held (219 F. 2d at p. 591):

> "In considering whether or not the district court erred in finding that no likelihood of confusion existed, this court is not bound (although defendants contend otherwise) by Rule 52(a) of the Federal Rules of Civil Procedure, 28 U.S.C.* In disturbing a district court's findings of basic facts, this court is guided by the 'clearly erroneous' provision of Rule 52(a). But Rule 52(a) is not applicable where, as here, the dispute is not as to the basic facts, but as to what inference (i.e., ultimate fact) should reasonably be derived from the basic facts. This court, by examining the basic facts found by the district court, can determine, as advantageously as the district court can, whether or not an inference of likelihood of confusion is warranted.**"

In deciding *Sears, Roebuck* v. *Johnson*, the Third Circuit relied upon its previously expressed views that, "while accepting the facts competently found by the trial court as correct, an appellate court remains free to draw the ultimate inferences and conclusions which, in its opinion, the findings reasonably induce." *Kuhn* v. *Princess Lida of Thurn & Taxis*, 119 F. 2d 704, 705-6 (3d Cir. 1941);

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* Court's footnote omitted here.

** Court's footnote omitted here.

cf. *In re Kellet Aircraft Corp.*, 186 F. 2d 197, 200 (3d Cir. 1950); *Campbell Soup Co.* v. *Wentz*, 172 F. 2d 80, 82 (3d Cir. 1948).

The divergence of principle which led to this direct conflict of decisions is by no means limited to the Third and Fifth Circuits. It pervades the entire country. The Second and Seventh Circuits agree with the Third; whereas the First, Sixth and Eighth share the diametrically opposite view along with the Fifth.

The Second Circuit is committed to the rule that likelihood of confusion is "a question reviewable on appeal": *LaTouraine Coffee Co.* v. *Lorraine Coffee Co.*, 157 F. 2d 115, 117 (2d Cir. 1946), *cert. denied*, 329 U. S. 771 (1946). While the ruling of the trial judge on the question of "whether the public is likely to be deceived" is a finding on "a question of fact", such a finding "is not conclusive on an appellate court, if it takes a different view as to the likelihood of deception." *Best & Co. Inc.* v. *Miller*, 167 F. 2d 374, 377 (2d Cir.), *cert. denied*, 335 U. S. 818 (1948).* Judge Clark, one of the principal draftsmen of Rule 52(a), dissented on the merits in the *Best & Co.* case but agreed with the majority that the finding of the district court on the issue of likelihood of confusion is not conclusive on appeal. He wrote (167 F. 2d at 378):

> "• • • plaintiff need show only the defendant's confusing use, without proof of damage or other unfairness than the use, and *our duty to review* is clear" (emphasis added).

Similarly, the Seventh Circuit has held specifically that the basic question presented by the use of allegedly in-

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* Accord: *Speed Products Co.* v. *Tinnerman Products, Inc.*, 179 F. 2d 778, 780 (2d Cir. 1949); *Miles Shoes, Inc.* v. *R. H. Macy & Co.*, 199 F. 2d 602, 602-3 (2d Cir. 1952), *cert. denied*, 345 U. S. 909 (1953).

fringing trademarks or trade names is "equally open" "to both lower and appellate courts for their separate determination as to confusing similarity." *Soy Food Mills, Inc.* v. *Pillsbury Mills, Inc.*, 161 F. 2d 22, 24 (7th Cir.), *cert. denied*, 332 U. S. 766 (1947). In the cited case, where the plaintiff's mark appeared on a copyrighted label, the Court of Appeals for the Seventh Circuit went on to say (at p. 25):

> "We are of the opinion that not only is the factual question thus open to the appellate court, but it is our *unavoidable duty* to examine the two trademarks or trade-names or copyrights and decide the question of fact for ourselves" (emphasis added).

And in *J. S. Tyree, Chemist, Inc.* v. *Thymo Borine Laboratory*, 151 F. 2d 621, 624 (7th Cir. 1945), an action for trademark infringement, the Seventh Circuit held that:

> "• • • the trial court has the primary function of weighing the evidence and finding the facts, and we are bound by the findings if they are supported by the evidence. The rule, however, does not operate to entrench with like finality, the ultimate fact conclusions drawn therefrom."*

On the other hand, the First Circuit has held unequivocally that the "ultimate question of the likelihood of consumer confusion" in trademark infringement and unfair competition cases "is one of fact", *Coca-Cola Co.* v. *Snow Crest Beverages, Inc.*, 162 F. 2d 280, 283 (1st Cir.);

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*See also *Becker* v. *Loew's, Inc.*, 133 F. 2d 889, 894 (7th Cir.), *cert. denied*, 319 U. S. 772 (1943); *Albert Dickinson Co.* v. *Mellos Peanut Co.*, 179 F. 2d 265, 269 (7th Cir. 1950); cf. *California Fruit Growers Exchange* v. *Sunkist Baking Co.*, 166 F. 2d 971, 973 (7th Cir. 1947).

cert. denied, 332 U. S. 809 (1947), which is reviewable by the Court of Appeals "only for clear error under Rule 52(a)". *Dwinell-Wright Co.* v. *National Fruit Products Co.*, 140 F. 2d 618, 623 (1st Cir. 1944).

The Sixth Circuit interprets Rule 52(a) to require that the finding of the district court on the question of "a tendency to * * * deceive" in a trademark case "must be accepted" if not "clearly erroneous". *Statler Manufacturing Co.* v. *George C. Knight Co.*, 228 F. 2d 136, 139 (6th Cir. 1955).* And the Eighth Circuit is definite in its view that "The trial court's finding of fact" on the question of likelihood of confusion is "binding on us unless it can be shown to be clearly erroneous" (citing Rule 52(a)). *Brown & Bigelow* v. *B-B Pen Co.*, 191 F. 2d 939, 943 (8th Cir. 1951), *cert. denied*, 343 U. S. 920 (1952).**

The proper interpretation of Rule 52(a) in the trademark field raises basic policy questions concerning the administration of justice in the federal courts. Under the theory of the court below, valuable property interests in trade symbols are subject to the fluctuating judgments of individual trial judges rather than the collective judgment of an appellate tribunal.

We do not seek to probe into the evidentiary facts on which the final decision rests; clearly, they are sheltered by Rule 52(a). But we do say that determining "likelihood of confusion" requires a different mental process

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* Accord: *John T. Lloyd Laboratories, Inc.* v. *Lloyd Bros. Pharmacists, Inc.*, 131 F. 2d 703, 706 (6th Cir. 1942); cf. *Socony-Vacuum Oil Co.* v. *Oil City Refiners, Inc.*, 136 F. 2d 470, 473 (6th Cir.), *cert. denied*, 320 U. S. 798 (1943) (applying same principle to master's finding of fact under Rule 53(e)(2)).

** Accord: *Star Bedding Co.* v. *The Englander Co.*, 239 F. 2d 537, 542 (8th Cir. 1957); *Cleo Syrup Corp.* v. *Coca-Cola Co.*, 139 F. 2d 416, 417 (8th Cir. 1943), *cert. denied*, 321 U. S. 781 (1944); *Skinner Manufacturing Co.* v. *Kellogg Sales Co.*, 143 F. 2d 895, 899 (8th Cir.), *cert. denied*, 323 U. S. 766 (1944).

from a decision on whether a particular physical fact occurred. It requires an exercise of judgment above and beyond that needed in deciding issues of credibility and veracity. It involves not so much a finding of fact as an application of a rule of law to the facts found. In this realm of the "ultimate fact," of the "drawing of inferences from the facts," of the "mixed question of fact and law," the reasons underlying a grant of finality to the findings of the trial court disappear and the reasons for providing appellate review come into play.

The problem in its general aspects has been dealt with by Robert L. Stern in an article, *Review of Findings of Administrators, Judges and Juries: A Comparative Analysis*, 58 HARV. L. REV. 70 (1944) (at p. 113):

> "But no reason of policy and no rule or statute require that the trial court's judgment as to the application of a rule of law to the facts found be binding to any extent on the appellate court. The trial judge is neither more expert in the particular field nor more representative of the community than the appellate court; if anything, he is less so. His judgment as to the application of a rule to facts found is not likely to be superior to that of the reviewing body, which is composed of a greater number of men of at least presumably equal competence in precisely the same field. And the fact that Congress has vested in the trier original jurisdiction to hear a case does not manifest an intention that his determination be final. To the contrary, the creation of appellate courts with full power to review in itself reflects a strong policy that litigants should not be bound by the ruling of the subordinate tribunal. The foundation of this policy is, of course, the belief that the decision made by the appellate court is more likely to be 'correct.' The public interest thus does not require that an appellate court accord any degree of finality to the judgment of a trial judge as to the application of law to facts, but points the other way."

As Stern implies, a narrow construction of Rule 52(a), such as that announced by the Fifth Circuit in the instant case, makes the identity of the particular judge who presides at the trial a crucial hazard of litigation.* There is no doubt that likelihood of confusion is the basic issue in a trademark or unfair competition case; if the trial judge's determination of this issue is imbued with finality except when "clearly erroneous," then the unsuccessful party to such an action is denied meaningful appellate review.

The instant case affords an object-lesson of precisely the kind of hazard envisaged by these writers. No one can read the record of the trial in the District Court without recognizing that it was a travesty. Judge Atwell first attempted to have the parties stipulate their case on the basis of his incomplete and inaccurate summary of the pleadings (R. 107-8). He rushed the lawyers on both sides through their direct and cross-examination.** In a trial that lasted one day and part of the next morning, 25 witnesses were herded across the stand, the depositions of 12 others were read, and 22 exhibits, many of them quite voluminous, were offered in evidence. On one occasion, without any objection from the other side, Judge Atwell excluded an exhibit and then fined plaintiff's counsel for

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* Moore's Federal Practice states:

> "And another factor is the reliability of the trier of the facts. While appellate 'courts should be slow to impute to trial courts a disregard of their duties and responsibilities or a want of diligence or perspicacity in evaluating the credibility of witnesses and the weight of evidence', the reputation and standing of the trial judge for experience, discernment, detachment, reliability, carefulness, probity and other qualities that combine to make judging the master's art cannot and should not be ignored." 5 MOORE'S FEDERAL PRACTICE, Par. 52.03[1], p. 2616 (2d ed. 1951)

** See, *e.g.*, R. 141, 143-4, 146-7, 279, 301, 327.

contempt when he tried to prove his point by a different method (R. 172); although the fine later was remitted "for the time being" (R. 172). Even the cold printed record shows clearly that the Judge had great difficulty in hearing what was said by witnesses and counsel.* And still he decided the case in an oral opinion delivered immediately upon the conclusion of the testimony (R. 349).

This specific illustration of a difficult trial, we submit, gives added point to the need for the resolution by this Court of the conflict over the proper interpretation of Rule 52(a). Litigants and the judiciary both require authoritative guidance concerning the scope of review of a trial judge's vital ruling on the issue of likelihood of confusion.

2. The second issue on which the holding of the court below conflicts with the Third Circuit's holding in *Sears, Roebuck* v. *Johnson*, is whether trademark protection extends to non-competing goods and services, *i.e.*, the use of the allegedly infringing mark on goods or services other than those dealt in by the complaining party. The District Court in the instant case pointed out that respondent is engaged only in the life insurance business, that Sears sells merchandise, and that Allstate does not write life insurance. The District Court stated:

> "I further find as a fact that there is no confusion, nor reason for confusion, between what the defendant is engaged in, and what the plaintiffs are engaged in." (Appendix B, *infra*, p. 4a.)

It is evident that the trial judge was proceeding on the theory that there could be no *actionable* confusion under the circumstances presented, since the absence of competition, to him, insulated the plaintiffs (petitioners here) from any damage. This is the only plausible interpreta-

* See, *e.g.*, R. 118-9, 139-40, 155, 167-9, 244-5, 314-5.

tion of the quoted language, because the record is replete with evidence of actual confusion between the two insurance companies. Substantially all of this evidence was uncontradicted and unimpaired by cross-examination.* For example, seven witnesses testified that they thought they were being offered an opportunity to subscribe for stock of petitioner Allstate Insurance Company, when actually stock of respondent All States Life Insurance Company was being offered** (R. 182-3, 184-6, 190-1, 216-7, 245-6, 247-9, 250-3). Numerous inquiries were directed to Sears and to Allstate in person and by telephone asking further information about the supposed public offering of Allstate stock (R. 193-4, 222-3, 259-65).*** Allstate's Houston office received a letter from the State of Minnesota Securities Division, demanding that it cease offering its stock for sale in Minnesota without registration (R. 261). A check of incoming telephone calls and mail intended for respondent All States but received at petitioner Allstate's Dallas branch office during selected periods (R. 202) showed the receipt of 103 pieces of mail in ten weeks of 1955, 74 pieces of mail in five weeks of 1956, and 52 telephone calls in five months of 1955, including a substantial number of long distance calls for the president

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* Unlike most insurance companies, which deal through brokers, petitioner Allstate sells its policies directly to the public, principally through the Sears stores and mail-order catalogs (R. 152-3) and the reliance of the court below on close similarities between the names of other existing insurance companies (Appendix B, *infra*, pp. 16a-18a) therefore was entirely misplaced.

** Allstate is a wholly-owned subsidiary of Sears and its stock has never been available to the public (R. 149, 152).

*** To the extent that any of the confusion, mistake or deception was caused by affirmative misrepresentations rather than the mere similarity of names, respondent nevertheless is responsible because it made the instrument of misrepresentation available. *Warner & Co.* v. *Eli Lilly & Co.*, 265 U. S. 526 (1924); *Upjohn Co.* v. *Schwartz*, 246 F. 2d 254 (2d Cir. 1957); *Ross-Whitney Corp.* v. *Smith Kline & French Laboratories*, 207 F. 2d 190, 197 (9th Cir. 1953).

and other executives of All States (R. 364-71). On the morning of the day the trial began, Allstate received by mail a specimen of urine, which hardly could have come from anyone other than an applicant for life insurance (R. 204-5).* The Republic National Bank addressed a letter by name to Allstate's Dallas branch manager, offering a special service it had available for life insurance companies (R. 202-3). And an irate policyholder threatened to cancel her Allstate insurance because of high-pressure tactics by a salesman of All States stock (R. 99).**

In affirming the trial judge, the Fifth Circuit clearly gave controlling significance to the absence of actual competition, although it paid lip service to the principle that this "is not the decisive factor as to the likelihood of confusion." The Court of Appeals restricted its own consideration of the proper scope of protection by announcing (without citation of authority) a narrow interpretation of Section 7(b) of the Lanham Act, which deals with the *prima facie* effect of a registration. It held:

> "* * * the marks as such do not carry the statutory presumptions of registrant's exclusive right to use except *as to the goods actually specified* in each certificate of registration." [emphasis in original] (Appendix B, *infra*, p. 14a)

Since the same principle obviously would apply to services, and since the "Allstate" mark was not registered for

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* Respondent was accepting applications for policies at the time (R. 343, 334).

** Cf. *National Lead Co.* v. *Wolfe*, 223 F. 2d 195, 201 (9th Cir.), *cert. denied*, 350 U. S. 883 (1955), where the Court of Appeals noted that "the trial court found that there were no purchasers who were confused" although uncontradicted evidence of many instances of actual confusion had been introduced. The Court of Appeals said "we are unable to perceive how the court could have made such a finding in the light of this record."

life insurance because it had not yet been used in that particular branch of the business, this reading of Section 7(b) effectively denied to petitioners the benefits of their registrations under the Lanham Act. What is more, the Fifth Circuit proceeded to discuss the case as though petitioners could have no hope of prevailing without the help of the statutory presumptions. This, of course, is consistent with its view that, absent actual competition in the same goods or services, even actual confusion provides no basis for relief.*

Whatever language it may have used, the rationale of the decision below is implicit in the final result that it reached: "Allstate" as a service mark for automobile, casualty and fire insurance, and as a trademark for vari-

* The court below apparently was influenced by the existence of another All States Life Insurance Company and assumed that this also influenced the trial court. The company referred to is an Alabama corporation whose activities always have been on a small scale (R. 122-30, 254-6, 355). Since 1952, it has been qualified to transact business only in Alabama (R. 355). After the commencement of this action, it purported to assign to respondent the right to use its name in Texas (R. 49-52); and, still later, it purported to assign to respondent its name as a service mark for insurance underwriting in Texas (R. 52-56). The Alabama corporation was licensed in Texas only for a period of approximately seven months in 1937-1938 (R. 355) and even then did not use its own name in dealing with any Texas policyholders (R. 271). Plainly, it had no rights to assign; the purported assignments are void because they are not supported by any accompanying good will. *Neltic Rosenstein, Inc.* v. *Princess Pat, Ltd.*, 220 F. 2d 444, 450-453 (C.C.P.A. 1955); *E. F. Prichard Co.* v. *Consumers Brewing Co.*, 136 F. 2d 512, 518, 521-22 (6th Cir. 1943), *cert. denied*, 321 U. S. 763 (1944); *American Broadcasting Co.* v. *Wahl Co.*, 121 F. 2d 412 (2d Cir. 1941). As assignments post litem motam they constitute evidence only of respondent's bad faith. Any use of the name by the Alabama corporation would be irrelevant here in any event because use by a third party is not a defense to an action for infringement. *National Lead Co.* v. *Wolfe*, 223 F. 2d 195, 204 (9th Cir.), *cert. denied*, 350 U. S. 883 (1955); *Bond Stores, Inc.* v. *Bond Stores, Inc.*, 104 F. 2d 124, 125 (3d Cir. 1939); *Ward Baking Co.* v. *Potter-Wrightington, Inc.*, 298 Fed. 398, 402, 404 (1st Cir. 1924).

out items of merchandise, was denied protection against the substantially identical mark "All States" for the reason that the latter was used only for life insurance.

In *Sears, Roebuck* v. *Johnson,* Chief Judge Kirkpatrick of the Eastern District of Pennsylvania adopted an approach much the same as that of Judge Atwell of the Northern District of Texas in the instant case. Judge Kirkpatrick ruled that protection was limited to the use of the allegedly infringing mark in such a way as "to mislead prospective purchasers". Since there was "no competition whatever" between the parties, and the operation of a driving school "is not a normal field of expansion for a business like the plaintiff's," there was no "possibility of loss." He therefore dismissed the complaint.

In reversing, the Court of Appeals for the Third Circuit stated (219 F. 2d at p. 593):

> "Defendants emphasize the point that plaintiff does not provide the same services they do, and therefore there could be no confusion. The fact that two parties market the same goods or services and are in direct competition with each other is important. But the absence of these factors is not conclusive. Restatement, Torts §730 (1938); Bond Stores, Incorporated *v.* Bond Stores, Inc., 3 Cir., 1939, 104 F. 2d, 124; Duro Co. *v.* Duro Co., 3 Cir., 1928, 27 F. 2d, 339."

The Third Circuit emphasized the association between Sears' automobile accessories and Allstate's automobile insurance on the one hand, and the defendant's driving instruction services on the other, and concluded that "there is sufficient probability that confusion will result in the public's mind." The opinion also relied on the view that the public was not "likely through its own due care to ascertain the different sources" of the services of the respective parties.

The extent of the conflict between the decisions of these two circuits may be pointed up by noting that the parties in the instant case were at the time of the trial both engaged in different branches of the insurance business and that petitioners already had made definite plans for going into the life insurance field under the "Allstate" name.

On the issue of non-competing goods and services, like the issue of reviewability, this conflict of decisions between the Fifth and Third Circuits is merely symptomatic of a deep conflict of principle that embraces the entire federal judicial system. There are three separate and irreconcilable lines of authority. While all of these originated prior to the Lanham Act, they currently represent also the manner in which the statute is interpreted in the respective circuits that follow them.

Under the liberal view (exemplified by *Sears, Roebuck v. Johnson*), likelihood of customer confusion as to source or origin is sufficient to justify protection without regard to whether the parties are actual or potential competitors. It is enough that the confusion created by the use of the mark might cause the public to attribute the defendant's goods (or services) to the complaining party. Relief will be granted unless the goods are so obviously unrelated as to insure that consumers will not infer any connection between their respective sources. The likelihood of confusion in the customer's mind gives rise to the cause of action; it does not matter that in fact there may be no likelihood of the complaining party ever dealing in goods similar to those of the defendant.*

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* Relief granted: *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 Fed. 407 (2d Cir. 1917), *cert. denied*, 245 U. S. 672 (1918) (flour *v.* pancake syrup); *Wall v. Rolls-Royce of America, Inc.*, 4 F. 2d 333 (3d Cir. 1925) (automobiles *v.* radio tubes); *Yale Electric Corp. v. Robertson*, 26 F. 2d 972 (2d Cir. 1928) (locks *v.* flashlights); *L. E. Waterman v. Gordon*, 72 F. 2d 272 (2d Cir. 1934) (fountain pens

An intermediate view (characteristic of the Second Circuit since 1939) requires an additional showing beyond the likelihood of confusion in order to secure relief against the use of a mark on non-competing goods. The complaining party must justify protection for his mark by establishing either the likelihood of injury to his business reputation (e.g., because the defendant makes poor quality goods), or the likelihood that he will be forestalled from entering a field which he has demonstrated an intention to exploit or which is otherwise within his normal area of business expansion. In other words, the plaintiff must show actual or potential invasion of a specific commercial interest in order to succeed; customer confusion alone is insufficient despite the fact that it may lead to a false attribution of origin.*

The third and narrowest view (associated particularly with the Seventh Circuit) limits protection to those circumstances where the goods are substantially identical in physical characteristics. Under this view, it is irrelevant

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v. razor blades); *Armour & Co.* v. *Master Tire & Rubber Co.*, 34 F. 2d 201 (S.D. Ohio 1925) (meat *v.* tires); *Lady Esther, Ltd.* v. *Flanzbaum*, 44 F. Supp. 666 (D. R. I. 1942) (cosmetics *v.* ladies' shoes and stockings); *Bulova Watch Co.* v. *Stolzberg*, 69 F. Supp. 543 (D. Mass. 1947) (watches *v.* shoes); *Elder Manufacturing Co.* v. *Martin Trenkle Co.*, 90 F. Supp. 889 (E. D. Ark. 1950) (boys' clothing *v.* paints); *Time, Inc.* v. *Life Television Corp.*, 123 F. Supp. 470 (D. Minn. 1954) (magazine *v.* retail sale of television sets).

* Relief denied: *S. C. Johnson & Son, Inc.* v. *Johnson*, 116 F. 2d 427 (2d Cir. 1940) (the first "Johnson" case) (floor wax *v.* fabric cleaner); *Dwinell-Wright Co.* v. *White House Milk Co.*, 132 F. 2d 822 (2d Cir. 1943) (coffee and tea *v.* evaporated milk); *S. C. Johnson & Son, Inc.* v. *Johnson*, 175 F. 2d 176 (2d Cir.), *cert. denied*, 338 U. S. 860 (1949) (the second "Johnson" case) (floor wax *v.* fabric cleaner); *Federal Telephone & Radio Corp.* v. *Federal Television Corp.*, 180 F. 2d 250 (2d Cir. 1950) (radio and telegraph parts *v.* television receivers); *Hyde Park Clothes, Inc.* v. *Hyde Park Fashions, Inc.*, 204 F. 2d 223 (2d Cir.), *cert. denied*, 346 U. S. 827 (1953) (men's clothing *v.* women's clothing); *G. B. Kent & Sons, Ltd.* v. *P. Lorillard Co.*, 114 F. Supp. 621 (S.D.N.Y. 1953), *aff'd*, 210 F. 2d 953 (2d Cir. 1954) (brushes *v.* cigarettes).

that customers may in fact be confused as to the source of the goods. Since no trade has been diverted to the defendant, and there is no likelihood of direct damage, the theory is that no protectible right of the complaining party has been violated. The instant case, as it now stands, is in this third category;* relief was denied below because petitioners are not direct competitors of respondent.

The basic question presented is whether protection should be granted against the use of the same or a confusingly similar mark on non-competing goods or services and, if so, how far such protection should extend. The conflict is over-ripe for resolution by this Court.

B. The ruling of the court below on each of the two issues embraced within the questions presented for review constitutes a decision upon an important question of federal law which has not been, but should be, passed upon by this Court.

1. Rule 52(a) of the Federal Rules of Civil Procedure, which was promulgated by this Court pursuant to 28 U.S.C., Sec. 2072, is a key provision in the administration of justice by the courts of appeals. As we have indicated

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* Relief denied: *Philco Corp.* v. *Phillips Manufacturing Co.*, 133 F. 2d 663 (7th Cir. 1943) (electrical appliances *v.* electrically-operated industrial machines); *Horlick's Malted Milk Corp.* v. *Horlick*, 143 F. 2d 32 (7th Cir. 1944) (malted milk *v.* dog food); *California Fruit Growers Exchange* v. *Sunkist Baking Co.*, 166 F. 2d 971 (7th Cir. 1947) (fruits, fruit juices and vegetables *v.* bread); cf. *California Fruit Growers Exchange* v. *Windsor Beverages*, 118 F. 2d 149 (7th Cir. 1941) (fruits and fruit juices *v.* fruit-flavored carbonated beverages; relief granted, but this was the "outer limit of protection", 143 F. 2d 32, 35); *Consumers Petroleum Co.* v. *Consumers Co. of Illinois*, 169 F. 2d 153 (7th Cir. 1948) *cert. denied*, 335 U. S. 902 (1949) (coal *v.* fuel oil); see also *Jewel Tea Co.* v. *Kraus*, 187 F. 2d 278, 284 (7th Cir. 1950); *Champion Paper & Fibre Co.* v. *National Ass'n of Mutual Assurance Agents*, 148 F. Supp. 123, 124 (D. D. C. 1957).

above, the instant case presents a sharply focused issue of its proper application in a numerically large and commercially important class of cases. The interpretations of Rule 52(a) by the various circuits are in irreconcilable conflict. This Court never has passed upon the question and we submit that it should do so now.

2. The question of whether a federally registered trademark or service mark can be infringed by use on goods or services other than those specified in the certificate of registration presents an equally important issue in the construction and application of the federal trademark laws. Thirty years ago, this Court had before it on certiorari a case which involved the issue of whether protection was available against the use of a trademark on non-competing goods. After plenary consideration, however, the decision turned on another point, and the Court never reached the question of non-competing goods. *Beech-Nut Packing Co.* v. *P. Lorillard Co.*, 273 U. S. 629 (1927). Mr. Justice Holmes said specifically (at p. 632):

> "It may be true that in a case like the plaintiff's its rights would not be sufficiently protected by an injunction against using the marks upon goods of the same class as those to which the plaintiff now applies it and to which its registration is confined. Upon that we express no opinion."

In the intervening years, many hundreds of cases involving this issue have been decided by the federal district courts and courts of appeals. Not one has been reviewed by this Court. Meanwhile, the confusion of 1927 has been many times confounded. Meanwhile also, the Lanham Act has been in effect for over ten years, a constantly increasing number of cases are framed under it, and yet the crucial issue of the scope of protection to be afforded to a registered mark has never been passed upon by the Court. At a bare minimum, a definitive ruling

is needed on the question of whether a trademark proprietor is limited to the specific items listed in his registration certificate. As we said in discussing the conflict of decisions in this field, we believe the issue is over-ripe for resolution by this Court.

3. It remains to be noted that the twin questions presented by this case are intimately interwoven. If a trial judge should choose the wrong principle with relation to non-competing goods, and the court of appeals should treat his decision on the likelihood of confusion as binding if not "clearly erroneous," then there can be no effective review and the present state of confusion in the cases will continue to develop in the direction of complete chaos. Instruction from this Court on both the substantive principle and the scope of appellate review is urgently needed.

Trademarks have tremendous commercial importance in modern business. The instant case presents two clearly identifiable issues of broad general application to trademark litigation on which the Court has never passed.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

October, 1957.

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APPENDIX A

Lanham Act, 60 Stat. 427 (1946).

SEC. 7(b). *Same* [*Certificate of registration on the principal register*]—*Prima facie evidence.*

A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein (15 U.S.C. 1057(b)).

SEC. 32(1). *Remedies—Infringement.*

Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter, except that under clause (b) of subdivision (1) of this section the registrant shall not be entitled to recover profits or damages unless the acts have been committed

with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers (15 U.S.C. 1114 (1)).

Federal Rules of Civil Procedure, 28 U.S.C. following Sec. 2072.

RULE 52. *Findings by the Court.*

(a) EFFECT. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon and direct the entry of the appropriate judgment; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Request for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b).

APPENDIX B

Oral opinion of the United States District Court for the Northern District of Texas

This case was filed on December 6, 1955, and summons was returned executed on December 7. From that time on, various pleadings were filed by both the defendant and the plaintiff consisting of answers and amendments, interrogatories, and the Rules of Procedure is pretty much covered and exhausted by these various pleadings. On May 14, the Defendant's Amended Motion to Dismiss was filed, and on May 21, that motion was acted on by the Court and overruled. The grounds of that motion to dismiss was that there was no jurisdiction in this Court because the State Court, the State law, gave a forum to which the plaintiffs might go if they desired relief as to the name which had been granted to the defendant and its assignors by the Insurance Commissioner. That motion was overruled because the Court could not recognize a State Statute which would take away from the Court its federal jurisdiction for litigation growing out of a diversity of citizenship.

The Court has been somewhat surprised by the continuous fattening of the record, by the parties, especially the plaintiffs, and has done its best to keep that record down, but has not succeeded very well. Forty-two different witnesses and exhibits have been presented by the plaintiffs; exhaustive briefs have been filed by both sides consisting of original briefs and amendment briefs and all sorts of briefs which I now hand to the Clerk for inclusion with the papers in the case.

From this exhaustive and somewhat tiresome trial and brief reading, keeping in mind the necessity of the Court's retaining that which was applicable to the issues involved,

Appendix B

I find as facts, gentlemen, that the plaintiffs, Sears, Roebuck and Company, and the Allstate Insurance Company, are engaged, and have been engaged, in the use of the word "Allstate" upon insurance which was neither fire nor life insurance, but was accident and casualty insurance; that the name "Allstate" has been used by the Sears, Roebuck and Company upon a multiplicity of merchandise which it sells in its various stores throughout the northern and central and southern portions of the United States, such as automobile tires, and automobile accessories, and that the business in which it is engaged, or in which both plaintiffs are engaged, is in no sense the business in which the defendant is engaged; the defendant All States Insurance Company is named under the permission of the State Insurance Commissioner, who, under the State law, has that right; that the name "All States" was presented; the plaintiffs objected; the Commissioner overruled that objection, supported by the Attorney General of the State of Texas, and "All States" was granted as the name for the defendant company; that it is engaged only in the life insurance business, and is not engaged in any way in the sale of merchandise.

I further find as a fact that there is no confusion, nor reason for confusion, between what the defendant is engaged in, and what the plaintiffs are engaged in.

As a conclusion of law, gentlemen, I can see no equity whatever in favor of the plaintiffs. It would be most inequitable, and the chancellor would have both eyes and ears and heart closed if it would find that any relief in this case is entitled to the plaintiffs.

Appendix B

OPINION OF THE

United States Court of Appeals

FOR THE FIFTH CIRCUIT

No. 16291

SEARS, ROEBUCK & COMPANY and ALLSTATE INSURANCE COMPANY,

Appellants,

versus

ALL STATES LIFE INSURANCE COMPANY,

Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.

(June 10, 1957.)

Before HUTCHESON, Chief Judge, and TUTTLE and JONES, Circuit Judges.

TUTTLE, Circuit Judge: This is an appeal from a judgment of the trial court, sitting without a jury, denying relief to appellants in an action for injunction and damages for trade mark infringement under the Lanham Act and for alleged unfair competition.

Appellant Sears, Roebuck & Co. is the owner of appellant Allstate Insurance Company. Sears has, since

1927, used the name Allstate to identify numerous of its products, all articles of merchandise, principally automobile tires, parts and accessories, sold in interstate commerce, and had a registered mark in connection with each class of such articles. Allstate Insurance Company was organized by Sears in 1931 and has since that time continuously engaged in the sale in all the states of the United States of policies of automobile and general casualty insurance. Under the laws of Texas it could not engage also in the life insurance business. It was first qualified to do business in the state of Texas in 1936. It registered service marks under the Lanham Act as to (1) the name Allstate and as to (2) a design showing an automobile held in two hands, with the legend "You're in good hands with ALLSTATE." Each of these service marks was specified to relate to "automobile insurance (fire, theft, property damage, personal liability, etc.) in Class 102."

All State Life Insurance Company, having no connection with the appellants, was chartered by the state of Texas on July 1, 1955, to engage in a life insurance business. To the time of the filing of this suit in December 1955 it was engaged in the sale of its common stock to the public. It had not yet undertaken to sell any life policies.

The incorporation of insurance companies and the granting of their right to engage in the insurance business in Texas is a function of the State Board of Insurance Commissioners. The Board is charged with the duty, among others, to determine whether the applicant for a license has selected a name that is not "so similar to that of any other insurance company as to be likely to mislead the

public." A review from this and all other administrative rulings of the Board provided for by the Texas statute.[1] The appellants made formal protest to the Board on October 31, 1955, asserting the grounds later alleged in this suit, and requested the Board "to require All State Life Insurance Company to change its name and select some other name which does not infringe upon and constitute unfair competition with Allstate Insurance Company . . . ."

The Board denied this relief by order dated November 8, 1955, reciting that the action was taken at an official meeting of the Board.[2] No appeal was taken to the District Court of Travis County or to any other court from this ruling of the Board.

In 1928, a life insurance company was organized in Alabama under the name All State Life Insurance Company. By 1931, the year the appellant Allstate Insurance Company was organized, it was doing business in four states, and by 1946 in thirteen states and the District of Columbia. It was licensed to do business in Texas during part of 1937 and 1938. In July 1955 appellee first com-

[1] Article 21.44 of the Insurance Code of Texas provides as follows:

"Except where otherwise provided for under the provisions of the Insurance Code, if any insurance company or other party at interest be dissatisfied with any decision, regulation, order, rate, rule, act, or administrative ruling adopted by the Board of Insurance Commissioners, such dissatisfied company or party at interest after failing to get relief from the Board of Insurance Commissioners, may file a petition setting forth the particular objection to such decision, regulation, order, rate, rule, act, or administrative ruling, or to either or all of them, in the District Court of Travis County, Texas, and not elsewhere, against the Board of Insurance Commissioners as defendant. Said action shall have precedence over all other causes on the docket of a different nature. . . ."

[2] After reciting the contentions of the parties the order concluded: "Now, therefore, premises considered, the Board finds that it is without jurisdiction to grant the relief requested by complainant and complainant's request is hereby denied."

menced negotiations with this company for its purchase, and later, after commencement of this suit, the All State Life Insurance Company transferred all right and interest in and to its name and mark in Texas to appellee, and its principal stockholder also contracted to sell a majority of the stock of the company to appellee, which also bound itself to buy all the remaining shares of the stock.

Appellants urged on the court below and vigorously insist here that their registered trade marks and service marks under the Lanham Act[3] protect them against the use by appellee of the name All States Life Insurance Company and that independently of that statute the use of the name of appellee amounts to unfair competition at common law, diversity of citizenship giving jurisdiction to the Federal courts to enjoin the use and to award damages for past injuries.

The trial court made brief findings of fact and conclusions of law.[4]

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[3] 15 U.S.C.A. c. 22.

[4] In view of their brevity we think it appropriate to quote them in full:

"THE COURT: This case was filed on December 6, 1955, and summons was returned executed on December 7. From that time on, various pleadings were filed by both the defendant and the plaintiff consisting of answers and amendments, interrogatories, and the Rules of Procedure is pretty much covered and exhausted by these various pleadings. On May 14, the Defendant's Amended Motion to Dismiss was filed, and on May 21, that motion was acted on by the Court and overruled. The grounds of that motion to dismiss was that there was no jurisdiction in this Court because the State Court, the State law, gave a forum to which the plaintiffs might go if they desired relief as, to the name which had been granted to the defendant and its assignors by the Insurance Commissioner. The motion was overruled because the Court could not recognize a State Statute which would take away from the Courts its federal jurisdiction for litigation growing out of a diversity of citizenship.

"The Court has been somewhat surprised by the continuous fattening of the record by the parties, especially the plaintiffs,

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Appellants present the following four questions which they say are posed by the judgment of the trial court. They are:

"(1) Did the trial court err in holding that All States had not infringed Sears' registered trademark ALLSTATE?

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and has done its best to keep that record down, but has not succeeded very well. Forty-two different witnesses and exhibits have been presented by the plaintiffs; exhaustive briefs have been filed by both sides consisting of original briefs and amendment briefs and all sorts of briefs which I now hand to the Clerk for inclusion with the papers in the case.

"From this exhaustive and somewhat tiresome trial and brief reading, keeping in mind the necessity of the Court's retaining that which was applicable to the issues involved, I find as facts, gentlemen, that the plaintiffs, Sears, Roebuck and Company, and the Allstate Insurance Company, are engaged, and have been engaged, in the use of the word "Allstate" upon insurance which was neither fire nor life insurance, but was accident and casualty insurance; that the name "Allstate has been used by the Sears, Roebuck and Company upon a multiplicity of merchandise which it sells in its various stores through the northern and central and southern portions of the United States, such as automobile tires, and automobile accessories, and that the business in which it is engaged, or in which both plaintiffs are engaged, is in no sense the business in which the defendant is engaged; the defendant All States Insurance Company is named under the permission of the State Insurance Commissioner, who, under the State law, has that right; that the name "All States" was presented; the plaintiffs objected; the Commissioner overruled that objection, supported by the Attorney General of the State of Texas, and "All States" was granted as the name for the defendant company; that it is engaged only in the life insurance business, and is not engaged in any way in the sale of merchandise.

"I further find as a fact that there is no confusion nor reason for confusion, between what the defendant is engaged in, and what the plaintiffs are engaged in.

"As a conclusion of law, gentlemen, I can see no equity whatever in favor of the plaintiffs. It would be most inequitable, and the chancellor would have both eyes and ears and heart closed if it would find that any relief in this case is entitled to the plaintiffs."

"(2) Did the trial court err in holding that All States had not infringed Allstate's registered service marked ALLSTATE?

"(3) Did the trial court err in holding that All States had not unfairly competed with Sears and Allstate in the use of its name?

"(4) Did the trial court err in excluding from the evidence the impartial survey made to determine what, if anything, the public associated with ALLSTATE?"

For convenience these questions will be answered in the order in which they are stated. Although appellants do not clearly distinguish at all times in their brief between alleged infringement of the registered marks and the alleged commission by appellee of acts of unfair competition, they do present these issues separately in their questions, and we shall endeavor to treat them separately. In doing so we shall put aside for the moment two arguments put forward by appellee, but shall indicate the proper disposition of them later. These two arguments are: (1) The action seeks to require appellee insurance company to change its name, and this being a matter confided by the state of Texas to the Board of Insurance Commissioners its unappealed action adverse to the plea of appellants cannot be relitigated here; (2) the Lanham Act has no efficacy as to the regulation of an insurance company in a state whose statutes undertake such regulation (and the approval of a name is an act of regulation) because of the limiting terms of the McCarran Act.[5]

[5] "No act of Congress shall be construed to invalidate, impair or supersede any law enacted by any State for the purpose of regulating the business of insurance" 15 U.S.C.A. §1012(b).

The first question is: Did the trial court err in holding that All States had not infringed Sears' registered trade mark ALLSTATE?

We conclude that this question must be answered in the negative. Strictly as a matter of infringement of the many registered trade marks of Allstate owned by Sears, it is clear that as to the proposed life insurance policies in connection with which appellee intended to use the name All States Life Insurance Company there was no similarity of products. Furthermore, there was no competition between Sears and appellee. Nor was there any real similarity between the registered marks of Sears, taken as a whole, and the name of appellee.[6] In the ordinary sense of the terms the name All States Life Insurance Company is not a "reproduction, counterfeit, copy, or colorable imitation"[7] of the single word "ALLSTATE" or the word "ALLSTATE" imprinted on an outline map of the United States.[8] Is it such a colorable imitation in the peculiar sense in which it is used? No new definition of colorable limitation is contained in the Lanham Act. It simply prohibits the use in commerce of a colorable imitation "in connection with the sale, offering for sale or advertising any goods or services on or in connection with which use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or service."

Even if we are to assume that it is not necessary under this law either to prove that the sale of life insurance

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[6] The registered marks outstanding and valid at the time appear to have been the single word ALLSTATE in block letters.

[7] 15 U.S.C.A. §1114(1)(a) (The Lanham Act).

[8] Although expired marks show the word superimposed on such an outline, these marks appear not to be in use at the time of trial.

policies proposed by appellee is a use or sale in commerce (defined by the statute as interstate commerce)[9] or to demonstrate, without reference to likelihood of confusion, that the accused mark or name is in fact a counterfeit, copy or colorable imitation, neither of which do we decide, there is still the requirement that the accused name be one the use of which is "likely to cause confusion or mistake."

The fact that the litigants here are not in competition is not the decisive factor as to the likelihood of confusion. Nor is the complete dissimilarity of the articles in whose sale mark is used—automobile tires, batteries, and accessories and the like on the one hand, and life insurance policies on the other. Neither is the different type of relationship that results from the sale of an article of merchandise of small value on the one side and the sale of a policy of life insurance on the other—a difference somewhat like a difference between two classes of purchasers. But it is clear that all of these circumstances are relevant to the determination of whether there is any real "likelihood" of confusion or mistake. *Philco Corporation* v. *F. & B. Mfg. Co.* (7 Cir.), 170 F. 2d 958, cert. denied, 336 U. S. 945; *Brown & Bigelow* v. *B.B. Pen Co.* (8 Cir.), 181 F. 2d 939. For a case in which this Court found that the allegedly infringing mark was "but a colorable imitation of the head and shoulders of the plaintiff's picture of Johnnie Walker," and which, though the imitation was used on a different article of merchandise (cigars instead of Scotch whiskey) it was held to be a question of fact whether or not there was likelihood of confusion as to the source or origin, see *John Walker &*

[9] On this point, however, see *Pure Foods* v. *Minute Maid Corp.* (5 Cir.), 214 F. 2d 792.

Sons v. *Tampa Cigar Co.* (5 Cir.), 197 F. 2d 72; after the trial court had then determined that there was indeed likelihood of confusion, we affirmed, 222 F. 2d 460. For another case in which this Court held that the mere fact that the second use was in connection with a different article (wine, as contrasted with jams and jellies) does not as a matter of law excuse the infringement when the mark (Bama) is actually copied, see *Chappell* v. *Goltsman* (5 Cir.), 186 F. 2d 215, and see the same case at 197 F. 2d 837, in which after trial and a finding of fact by the trial court that there was no likelihood of confusion, largely because of the difference in articles, we affirmed notwithstanding the identity of the names of the two products. Moreover, it may be appropriate to call attention to the restrictive effect given to the certificates of registration of the several marks of the appellant Sears because of the language of the statute itself. Section 1057(b) provides:

> "§1057. Certificates of registration—Issuance and form. • • •
>
> "(b) A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce *in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.*" (Emphasis added.)
>
> 15 U.S.C.A. §1057(b).

Considering here only the narrow question whether there was infringement of Sears' trade marks, we do not come to the question whether there were other elements of unfair competition. As to the question of infringement,

the statute itself seems to distinguish between cases in which the alleged infringer uses the mark with a different product and those in which he uses it on a competing article, for the marks as such do not carry the statutory presumptions of registrant's exclusive right to use except *as to the goods actually specified* in each certificate of registration. None of these, included insurance. They all related to articles of merchandise.

We conclude that in the case of noncompeting products it remains a question of fact whether there is a *likelihood* of confusion, even where there is an identity or a colorable imitation of names. It should be noted that the Lanham Act provision quoted above requires that confusion, mistake, or deception be "likely," not merely "possible." Here the trial court found as a fact, after hearing oral testimony and on consideration of the conditions prevailing in the insurance industry (including, no doubt, the fact that Sears had made no contention in 1937 or 1938, at which time it had already registered its Allstate mark and was doing business in Texas, that the entry of the All State Life Insurance Company of Alabama on the Texas scene was likely to cause confusion, and the fact that Sears had made no objection to the later entry in twelve other states in which it was using the mark Allstate of the All State Life Insurance Company) that "there is no confusion nor reason for confusion between what the defendant is engaged in and what the plaintiffs are engaged in." Consistent with our views expressed in the above cited cases and in accord with one of the best established principles of appellate procedure, we may not reverse findings of fact by the trial court unless clearly erroneous. This finding was supported by substantial evidence and is not clearly erroneous.

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The second question is: Did the trial court err in holding that All State Life Insurance Company had not infringed Allstate's service mark Allstate?

The parties have not discussed in their briefs the circumstance that the service marks registered by Allstate were dated February 21, 1956, several months after the incorporation of appellee. It does appear that the applications for them were filed in March 1952. No cross-claim is filed here seeking a cancellation of the marks, so we treat them as having all the vigor that such registration infuses into them. See section 1057(b), *supra*.

Again it is noted that Allstate makes no effort to point out how any of the presumptions of the statute inure to its benefit as to the underwriting of life insurance, since both service marks specify that they relate to the underwriting of automobile insurance only. It would seem from the terms of the Act itself that none of the presumptions as to the validity of the mark, e.g. that it is not geographical in nature or that it has not been too long in general use to be the subject of protection as the property of appellant, arise in a contest with a user of the same name in connection with different service. Assuming, however, that this is too narrow a construction of the Lanham Act, we think that appellant Allstate's contention here is subject to the same weakness as is that of its owner, Sears, as to the likelihood of confusion.

We first give consideration to the action of the Board of Insurance Commissioners of Texas. Assuming that appellants are correct in their contention that no finality or conclusiveness attaches to the Board's action in approving the name, it must be conceded that in the case of an official state administrative body whose duty it is to regu-

late an industry the findings and decisions of such a body in the field of its responsibilities is persuasive and certainly relevant in the determination of the same fact by a trial court. Moreover, it cannot be seriously contended that the insurance board did not have the duty to pass on this precise matter. The statute specifically stated that the name of an applicant insurance company must not be one "likely to mislead the public."[10]

After some objection had been made to two other names, and some also as to the one finally approved, the Board certified appellee with the explanation that the difference in lines of insurance of Allstate and All State Life would distinguish the companies. Appellee sought to bolster this decision of the Board by tendering in evidence a list of insurance companies that had been certified to do business in the state of Texas. On objection to the relevancy and materiality of this evidence it was ruled out by the court. No objection was made as to its authenticity or form. It was brought up by stipulation. We think it was both material and relevant. Since it supports the finding of fact by the trial court and the effect of holding that it should be admitted would be merely to add weight to what the trial court did, we shall consider it as in evidence. Moreover, appellants in their brief refer to it as though it were in evidence. Its relevancy lies in the fact that it clearly discloses that in the insurance business in Texas a great similarity in the names of different companies is not considered a cause of confusion so long as the companies are not competing in the same line of insurance or so long as the names indicate different lines from those already certified. Thus,

[10] V.A.T.S., Insurance Code, Art. 2.02.

for instance, there are in Texas twelve insurance companies operating under a name of which the dominant and initial word is "American." There are eleven companies selling insurance whose principal title word is "State" or "States"; three wholly unconnected companies with the name "Atlas"; four called "Northwestern"; four "Phoenix"; nine "Southwest" or "Southwestern"; and six "Standard." The list shows seventy groups of insurance companies in which each group contains two or more companies with names identical or at least as similar as Allstate and All States.

The language of the district court in *Standard Accident Insurance Co.* v. *Standard Surety and Casualty Co.* (S.D.N.Y.), 53 F. 2d 119, is pertinent to the inquiry as to the propriety of the use of similar names of insurance companies even when they are in direct competition. The court said:

> "The defendant . . . proved that the insurance commissioners in the forty-three states where it applied for licenses under its present name unanimously granted them notwithstanding the plaintiff had previously been granted a license in each of the states. There were thus uniform rulings by the forty-three insurance departments that the two names were not so similar as to result in unfair competition. In several of the states the rulings were made over the active opposition of the plaintiff. While these determinations are of course not binding on the court, they are of weight because they express the opinion of disinterested public officers whose duty it was to prevent the alleged wrong, and who, presumably, were familiar with the business." 53 F. 2d at 121.

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Undoubtedly the Texas Insurance Commission was justified in considering the apparently universal practice in the insurance industry of distinguishing between companies by differentiating between the lines of insurance carried. That a determination by such an administrative tribunal is of great relevance and should be given great weight in a regulated industry, see also *Central Mutual Auto Ins. Co.* v. *Central Mutual Insurance Company*, 275 Mich. 554, 267 N.W. 733.

In addition to the weight to be given to the determination by the Board there was affirmative evidence to support the trial court's finding that there was no likelihood of confusion as to the source of the insurance policies to be sold by appellee. It was undisputed that appellant Allstate took no action to prevent confusion when All State Life Insurance Company of Alabama entered thirteen states in which Allstate was already selling its lines of insurance. When asked on cross-examination as to whether he received a sufficient number of misdirected letters to cause him to protest or to complain to the Alabama corporation, the Director of Allstate Insurance Company, who was called by appellant to testify as to its business, answered: "*There was nothing we could protest to them; it was not their fault;* we merely forwarded them on." (Emphasis added.) He further stated that his company had never protested the licensing of the Alabama corporation in the various states where it had been licensed.

The President of the Alabama corporation testified that during all the years when it and Allstate had both operated in several states concurrently there had been only one occasion of confusion with which he was familiar.

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In that instance a court summons directed to appellant Allstate had been erroneously served on his company.

Appellants produced a number of witnesses whose testimony was to the effect that when they heard of the sale of All States Life Insurance Company stock they associated this activity in their minds with appellants. In each instance, however, they did no more than inquire as to whether there was any real connection. There was some testimony that stock salesmen of the underwriter selling the stock had at least impliedly represented that the appellee was connected with appellant. This was the act of the individual representative of an independent contractor and not anything inherent in the name itself. The court apparently found that such sporadic acts were not chargeable to the appellee. The possibility of confusion certainly existed, but we believe it permissible for the trial court to have rejected the contention that confusion was likely. Moreover, no proof was offered to indicate that any single transaction testified to resulted in any ultimate loss or danger of loss to appellants. We think it clear, as we did in *Chappell* v. *Goltsman*, *supra*, that the similarity of the names even with the inclusion in appellee's name of the word "Life," together with the evidence introduced on the trial, would have been sufficient to authorize a finding by the trial court of the possibility and perhaps even of the likelihood of confusion. This is quite different, however, from our being justified in reversing the findings of the trial court made on ample evidence, including the actions of the State Insurance Board, as clearly erroneously. We conclude that no error was committed by the trial court in finding that there was no infringement of appellant Allstate's service marks.

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The third question is: Did the trial court err in holding that All State Life Insurance Company had not unfairly competed with Sears and Allstate in the use of its name. In answering this question we need not answer the threshold question as to whether the Lanham Act itself created a new federal right of action for unfair competition unless we conclude that such a federal right would differ from the Texas common-law action for unfair competition, and that if both causes of action exist this still remains an area in which the state law would be applied under the rule of *Erie R.R.* v. *Tompkins*, 304 U.S. 64. We pretermit these interesting and complicated questions[11] because we conclude that there was sufficient evidence on which the trial court could find as it did that there was no confusion or reason for confusion between the activities of the two insurance companies which would satisfy the concept of unfair competition asserted by appellants. *A fortiori*, we do not need to consider whether appellants made out a case of fraudulent action by defendants, which appellee contends is required to establish unfair competition in Texas.

In spite of the frequent confusion in the treatment of trade or service mark infringement cases and those involving unfair competition all parties to this litigation recognize that in addition to the right to protection against the infringement of their trade or service marks appellants also have the right to protect themselves from acts of the defendant by which the latter would "unfairly" appropriate to itself any of the good will that belongs as a species of property to the appellants in the

[11] Discussed at some length in Comment: "Erie Limited: The Confines of State Law in the Federal Courts," 40 Cornell L.Q. 561, 571-74, and in the cases and writings there cited.

state of Texas. Whether an accused party is so appropriating or attempting to appropriate, with likelihood of success, such valuable property of the complainant is, of course, a question of fact. *Chappell* v. *Goltsman, supra; John Walker & Sons* v. *Tampa Cigar Company, supra.* The finding by the trial court "that there is no confusion, no reason for confusion, between what the defendant is engaged in, and what the plaintiffs are engaged in" undercuts completely any contention that there exists any unfair competition if such finding is adequately supported in the record, for if there can be no confusion under the facts of this case then, of course, there can be no trading by appellee on appellants' good will. We think the facts heretofore outlined in considering the previous questions demonstrate that the trial court's findings are so adequately supported as to make it impossible for us to hold that its decision was clearly erroneous.

We next come to the fourth question: Did the trial court err in excluding the document tendered as an impartial survey made to determine what if anything the public associated with Allstate. Tendered in support of its contention that the use of appellee's name was likely to confuse the public as to the source of insurance policies to be issued by it, the survey was excluded by the trial court on its own motion on the ground that it was hearsay. Its author testified that he had caused ten interviewers to telephone 100 impartially selected telephone subscribers each and ask them a series of questions. The questions were:

"(1) What comes to your mind when I say the brand name 'Westinghouse'?

(2) What does the brand 'Kodak' mean to you?

(3) What does 'Allstate' mean to you?

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(4) If you wanted Allstate insurance, where would you go?

(5) Have you ever heard of All State Life Insurance Company?

(6) Who would you say owns All State Life Insurance Company?"

Of course, this survey if otherwise admissible was not excludable as hearsay merely because the 1000 interviewed persons were not themselves testifying, since it was not intended to prove the truth of the statements made by them. However, it was inadmissible as heresay because it was offered to prove what ten interviewers say they were told by the persons questioned. Appellants do not take exception here to the refusal of the trial court to let them put "several" of the interviewers on the stand to explain how they conducted the survey. They complain only of the action of the court in ruling the survey inadmissible. A casual glance at the survey itself shows it to contain self-serving statements in the summaries which it includes. Furthermore, although this was not the ground on which the court rejected it, it appears that it would be inadmissible on the ground of irrelevance, as not fairly presenting the name All States Life Insurance Company until after two questions had been asked which if correctly and properly answered called to mind Sears, Roebuck & Company. We think it not truly illustrative of what the public thinks to permit one party to propound questions chosen on its behalf, however fairly attempted, with no opportunity given to the other party to test the answers given by the persons interviewed. Most of the witnesses produced by appellants at the trial itself to give their impressions as

to likelihood of confusion were cross-examined by appellee; this resulted in bringing before the court a much clearer picture of what their reactions really were. We think it was not error for the trial court to rule out this survey.

It will now become apparent that we conclude that the judgment of the trial court must be affirmed without the necessity of passing on the two points raised by appellees as to the binding effect of the Board's action and as to the limiting effect on the Lanham Act of the McCarran Act. However, we think it appropriate to state our views as to these matters. We do not think the entire cause of action alleged by appellants, derived primarily from federal statutes, can be controlled by the determination of the Board of Insurance Commissioners, as is suggested by appellees. We also conclude that there is nothing in the McCarran Act that limits the right of the owner of a trade or service name to seek redress in the federal courts merely because the approval of the name of the infringing insurance company is part of the duties of the state board. The real purpose of the McCarran Act is too well known to permit us to extend its prohibitions to this situation:

> "Respondents, on the other hand, seek to derive support for reliance on the Louisiana statute from the McCarran Act. . . . Suffice it to say that even the most cursory reading of the legislative history of this enactment makes it clear that its exclusive purpose was to counteract any adverse effect that this Court's decision, in *United States* v. *South-Eastern Underwriters Association* . . . might be found to have on State regulation of insurance."

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Maryland Casualty Co. v. *Cushing*, 347 U.S. 409, 412-13.

No matter what approach is taken to the questions presented for decision here, it is undisputed that infringement and unfair competition are matters of fact. They cannot be found to exist merely from the similarity in names, especially where the names are used in relation to different products. The record contains sufficient evidence of probative value to sustain the trial court's finding that no infringement or unfair competition was proved.

Of course the judgment of the trial court does not foreclose any future action if, in fact, the appellee should so conduct its life insurance business as to mislead its prospective customers into the belief that All State Life Insurance Company is backed by or is connected with Sears, Roebuck & Company. All that has been held thus far is that no such conduct had occurred to the date of the trial below.

The judgment is AFFIRMED.

JONES, Circuit Judge, Dissenting:

It seems to me that the findings of the district court come near to negativing its conclusion that there is no confusion or reason for confusion between what the defendant is engaged in and what the plaintiffs are engaged in. To stress the slight difference in the names of the two insurance companies is to beg the question. To consider the similarity of names of other insurance companies is to invoke immaterial comparisons. I agree that

whether an accused party is appropriating or attempting to appropriate the good will and the good name of another is a question of fact. The excluded evidence of the results of the survey should, I think, have been admitted as bearing upon that issue. The reasons given by the majority for rejecting the evidence should, in my opinion, go to its weight and not to its admissibility. I respectfully dissent.

Judgment of the Court of Appeals

Extract from the Minutes of June 10, 1957.

SEARS, ROEBUCK & COMPANY and
ALLSTATE INSURANCE COMPANY,

No. 16291.

versus

ALL STATES LIFE INSURANCE COMPANY.

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Texas, and was argued by counsel;

On consideration whereof, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be, and the same is hereby, affirmed;

It is further ordered and adjudged that the appellants, Sears, Roebuck & Company and Allstate Insurance Company, and the surety on the supersedeas bond herein, American Motorists Insurance Company, be condemned, in solido, to pay the costs of this cause in this Court for which execution may be issued out of the said District Court.

"Jones, Circuit Judge, dissenting."